



REPUBLIC OF PALAU

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Office of the Public Auditor

25-132au
September 25, 2025

Honorable Steven Victor
Minister
Ministry of Agriculture, Fisheries, and the Environment
Republic of Palau

Subject: **Final Report on the Audit of Japan's Grant Assistance for Grassroots Human Security Project for "The Project for the Procurement of a Fishing Vessel to the Bureau of Marine Resources"**

Dear Minister Victor:

This report presents the results of our audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP), namely "The Project for the Procurement of a Fishing Vessel to the Bureau of Marine Resources."

We received your response to the Draft Audit Report and have published it verbatim in the final report.

If you have any questions regarding the report or the subject matter discussed therein, we will be available at your request.

Sincerely,

Satrunino Tewid
Acting Public Auditor
Republic of Palau



**OFFICE OF THE PUBLIC AUDITOR
REPUBLIC OF PALAU**

PERFORMANCE AUDIT REPORT

on

**JAPAN'S GRANT ASSISTANCE FOR GRASSROOTS
HUMAN SECURITY PROJECT FOR
"THE PROJECT FOR THE PROCUREMENT OF A
FISHING VESSEL TO BUREAU OF MARINE RESOURCES"**



**Bureau of Fisheries
MINISTRY OF AGRICULTURE, FISHERIES, AND THE ENVIRONMENT
REPUBLIC OF PALAU**

For the period from March 03, 2021, through April 20, 2022

Performed by the Office of the Public Auditor

Report Number: 2025-006

**JAPAN’S GRANT ASSISTANCE FOR GRASSROOTS
HUMAN SECURITY PROJECT FOR
“THE PROJECT FOR THE PROCUREMENT OF A FISHING
VESSEL TO BUREAU OF MARINE RESOURCES”**

**Bureau of Fisheries
Ministry of Agriculture, Fisheries, and the Environment
Republic of Palau**

For the period from March 03, 2021, through April 20, 2022

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September 25, 2025

Honorable Steven Victor
Minister
Ministry of Agriculture, Fisheries, and the Environment
Republic of Palau

Dear Minister Victor:

Per the Grant Project's requirement, the Office of the Public Auditor initiated an audit of Japan's Grant Assistance for Grassroots Human Security Project (GGP), namely "The Project for the Procurement of a Fishing Vessel to the Bureau of Marine Resources."

The Embassy of Japan in the Republic of Palau awarded the sum of \$769,118 to the Bureau of Fisheries (BOF) for the acquisition of a Fishing Vessel, according to a Grant Contract executed between the Embassy of Japan and BOF on March 02, 2021, as shown below:



Signing of Contract on March 02, 2021.

The objective of the audit was to determine whether the BOF (1) administered the grant fund in compliance with the terms and conditions of the Grant Contract, (2) complied with the grant's GGP procurement guidelines, and (3) properly recorded the equipment into the Republic of Palau's accounting records.

The Office of the Public Auditor reviewed the administration of the grant funds, including procurement procedures, receipt and disbursements of funds, reporting mechanisms, and other related requirements according to the Grant Contract and GGP procurement guidelines.

Background

The Government of Japan offers a financial assistance scheme known as “the Grant Assistance for Grassroots Human Security Projects (GGP)” to help Non-Governmental Organizations (NGOs) and local government authorities develop projects designed to meet the diverse basic human needs of the people in developing countries.

BOF under the Ministry of Agriculture, Fisheries, and Environment (MAFE) is responsible for exploring, surveying, developing, managing, and conserving all near-shore and offshore marine resources for the benefit of the people of Palau. At the time of the grant implementation, the responsible implementing agency was the Bureau of Marine Resources under the Ministry of Natural Resources, Environment, and Tourism. As of September 30, 2021, the bureau was restructured and renamed to the Bureau of Fisheries under the Ministry of Agriculture, Fisheries, and Environment. For clarity, this report uses the current names unless referring to documents issued prior to the change.

Belau Offshore Fisheries, Inc. (BOFI), in partnership with MAFE and other key entities such as Palau National Marine Sanctuary (PNMS), Palau International Coral Reef Center (PICRC), The Nature Conservancy, and Palau Community College (PCC), is a leading organization dedicated to the sustainable management and administration of tuna and other fish species in Palau. BOFI is at the forefront of promoting responsible fishing practices and marine conservation.

BOFI is a local fishing company dedicated to providing a stable and sustainably caught supply of Tuna, pelagic fish, and other fisheries products. It operates under a Memorandum of Understanding with MAFE, effective May 7th, 2020, and an MOU addendum titled Annex IV, as of November 18, 2022. Under this MOU, BOFI docks and operates the procured fishing vessel, BOFI Maru, in furthering MAFE’s mission in operationalizing the domestic fishery.

Through the GGP, BOF entered into a grant agreement with the Embassy of Japan, Republic of Palau (ROP), securing \$769,118.00 for the acquisition of a Fishing Vessel. The Fishing Vessel will be used to increase the catch of pelagic fish for domestic consumption in a sustainable manner, enhance the livelihood of fishermen, and strengthen Palau’s blue economy.

Objective, Scope, and Methodology

The objective of the audit was to determine whether the BOF (1) administered the grant fund in compliance with the terms and conditions of the Grant Contract, (2) complied with the grant’s GGP procurement guidelines, and (3) properly recorded the equipment into ROP’s accounting records.

The scope of the audit covered the period from March 03, 2021, through April 20, 2022.

As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of the Bureau of Fisheries or the grant or any component or accounts within those financial statements and, therefore, express no opinion on the financial statements.

The Government of Japan imposes and requires recipients to follow the GGP procurement policies in the procurement of goods and services, and the Embassy maintains control over the project bank account established for the purpose of the Project. Withdrawals from the account require prior approval of the Embassy. Consequently, audit procedures will be conducted specifically to ensure compliance with these requirements.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Public Auditing Act of 1985 empowers the Office of the Public Auditor to specifically act to prevent fraud, waste, and abuse in the collection and expenditures of public funds. The Public Auditor may make recommendations on the prevention and/or detection of fraud, waste, and abuse of public funds.

To accomplish our objective, we reviewed relevant project documents maintained at the Bureau of Fisheries and the Japan Embassy in the Republic of Palau. These documents included Grant Contract, Side Letter, GGP procurement policies and procedures, project invoices and related documents, and other relevant documents. In addition, we discussed the Project with the BOF personnel, including a Board member of BOFI, and conducted on-site visits to inspect the Project.

Grant Contract

In accepting the grant from the Embassy of Japan, the Bureau of Marine Resources agreed to the following terms and conditions of the Grant Contract:

- A. To provide the Donor with an official receipt for the grant received;
- B. To provide the Donor with documents relevant to the Project such as procurement contracts for products and/or services upon request by the Donor;
- C. To use the grant properly and exclusively for the purchase of such products and/or services necessary for the execution of the Project as enumerated in the Annex of the contract and not to use those products and/or services purchased with the grant for purposes other than the execution of the Project, without acquiring any prior written approval from the Donor;
- D. To provide the following reports on the progress of the Project:
 1. One (1) interim report to be provided within six months after the contract date
 2. One (1) project completion report to be provided upon the completion of the Project. (The above reports should outline achieved results in the light of the original goals and objectives as stated in the application proposal for the project.

The reports should include a clear accounting report of the allocation and disbursement of the grant.)

3. Any other reports on the Project to be provided upon request of the Donor, in accordance with the Donor's instructions;
- E. To complete the Project within one year after the contract date;
- F. To consult with and receive instructions from the Donor in case the recipient wishes:
 1. To change how the grant is spent from the original plan in the application
 2. To change the contents of the Project
 3. To suspend and/or terminate execution of the Project
 4. To extend the completion date of the Project;
- G. To keep accounting documents that verify how the grant was spent for at least five years after the completion of the Project;
- H. To bear all responsibilities for deaths, injuries, diseases, and any other damages to the members of the Recipient in the course of the execution of the Project, and that the Donor will not be responsible for anything that happens during the execution of the Project;
- I. To consult with the Donor promptly on all matters which may have any influence on the execution of the Project;
- J. To recognize that the Donor reserves the right to claim a refund of a portion or the whole of the grant if:
 1. A part or the whole of the grant remains unused when the execution of the Project is suspended or terminated;
 2. The Recipient breaches this contract; and
- K. That this contract shall be governed by and construed and interpreted in accordance with the laws agreed to by the Donor and the Recipient.

Side Letter

In addition to the Grant Contract, the Bureau of Marine Resources also agreed to additional terms and conditions contained in a "Side Letter" of commitment with the Embassy of Japan stipulating the following:

1. Bureau of Marine Resources will open an account with Bank of Hawaii exclusively for the purpose of the aforementioned Project.
2. Bureau of Marine Resources will not withdraw any amount from the said account without prior written consent of the Embassy of Japan.
3. Bureau of Marine Resources will shoulder any excess amount necessary to complete the Project, if the cost of the Project surpasses the Government of Japan's grant.
4. Bureau of Marine Resources will submit an audit report on the Government of Japan's grant issued by the Public Auditor upon completion of the project.
5. Bureau of Marine Resources will put stickers or sign displaying the flag of Japan on to the provided equipment in order to ensure the visibility of Japan's grant assistance.
6. Bureau of Marine Resources will be responsible for registering a vessel and docking a vessel at the Bureau's premises at Malakal, Koror State.
7. Bureau of Marine Resources will be responsible for the fuel expenses, daily inspection and the fee for any maintenance of a boat.
8. Bureau of Marine Resources will keep an operating log for a vessel in order to prevent personal or other usage aside from its intended purpose.

9. Bureau of Marine Resources will assign an operator for the granted vessel and that person should have enough experience to operate a granted boat size to avoid accidents and proper use.

Project Expenditures

The Bureau of Fisheries received the grant funds, utilizing them for the acquisition of the fishing vessel from NBK Corporations. A remainder balance of the grant was identified after the purchase of the fishing vessel. The total cost of the project was \$759,600 upon completion, which is \$9,518 less than the amount of the Grant of \$769,118. According to the Bureau of Fisheries, it is in discussion with the Japan Embassy to the Republic of Palau regarding the final disposition of the residual funds. The following table indicates the breakdown of the project funds expenditure:

Table 1: Progress Payment

Grant Amount		\$769,118
Expenditures		
Fishing Vessel 40%	\$303,840	
Fishing Vessel 60%	\$455,760	\$759,600
	Balance	<u>\$9,518</u>

Handover Ceremony

On April 19, 2022, the Fishing Vessel was turned over to the BOF in a formal Handover Ceremony as shown below:



Handover ceremony on April 19, 2022

Finding and Recommendation

Based on our audit, the Office of the Public Auditor found that the BOF, for the most part, administered the GGP grant for “The Project for the Procurement of a Fishing Vessel to Bureau of Marine Resources” in compliance with the terms and conditions of the Grant Contract and the GGP procurement guidelines. In addition, the BOF, with assistance from the Ministry of Finance, maintained proper controls over the accounting records surrounding the acquisition of the fishing

vessel. However, we identified one instance of noncompliance with a specific requirement of the Grant Contract, as detailed under Finding No. 1.

Finding No. 1 – Interim Report Deadline

The Grant Contract stipulates the following terms and conditions:

- BOF to provide one (1) Interim Report within six months after the contract date.

We found the following condition:

BOF signed the contract on March 02, 2021; however, the Interim Report was provided to the donor on October 22, 2021, which has passed the required timeline for the report.

BOF did not establish communication or consult with the Donor on submitting the report late.

As a result, the grantee did not comply with the terms and conditions of the Grant Contract.

Recommendation:

1. We recommend that BOF be mindful of the due dates and act upon them as requested by the contract requirements, and/or provide a request letter of extensions.

Bureau of Fisheries' Response: We acknowledge and concur with the findings within the report. I have advised key personnel involved in the management and implementation of projects, and other activities to track their progress and be mindful of important dates within the projects period to ensure timely reporting.

See Appendix 1, page 7, for the complete response.

Conclusion

The BOF was granted \$769,118 from the Government of Japan's Grant Assistance for Grassroots Human Security Project (GGP). This funding was allocated for the Project for the Procurement of a Fishing Vessel, which aims to increase the catch of pelagic fish for domestic consumption in a sustainable manner, enhance the livelihood of fishermen, and strengthen Palau's blue economy.

The Office of the Public Auditor would like to thank the staff and management of the Bureau of Fisheries and Belau Offshore Fisheries Inc. and the Embassy of Japan in the ROP for their professional courtesy and cooperation during this audit.

Sincerely,



Satrunino Tewid
Acting Public Auditor
Republic of Palau

APPENDIX 1: Minister's Response



Ministry of Agriculture, Fisheries, and the Environment

OFFICE OF THE MINISTER
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MAFE Serial No. 118/25

September 18, 2025

Mr. Saturnino Tewid
Acting Public Auditor
Office of the Public Auditor (OPA)
P.O. BOX 850
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Koror, Palau 96940

Office of the Public Auditor Received	
Date: 9/18/25	Time: 4:09 pm
Received By: JM	
No. OPA: 25-060	

Dear Acting Public Auditor Tewid,

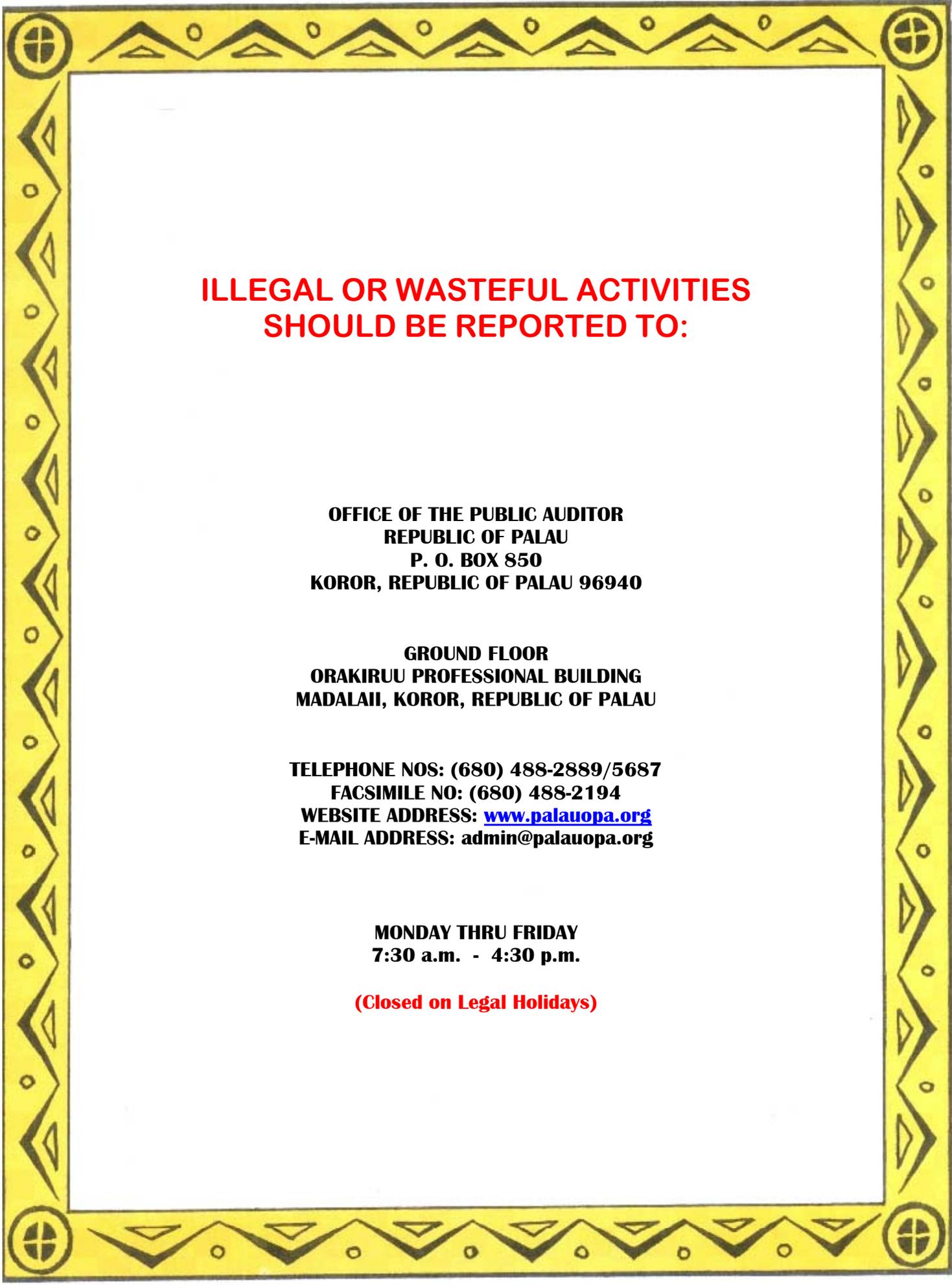
I am writing to express the Ministry of Agriculture, Fisheries, and Environment's gratitude to you and your team for the successful audit on our **"Project for the procurement of a fishing vessel to the Bureau of Fisheries (Previously known as Bureau of Marine Resources)"** through Japan's Grant Assistance for Grassroots Human Security Project (GGP).

We acknowledge and concur with the findings contained within the report, specifically **Finding No.1 Interim Report Deadline** which was supposed to be submitted in September but was submitted in October, a month delayed. Based on your recommendation I have advised key personnel involved in the management and implementation of projects, and other activities to track their progress and be mindful of important dates within the projects period to ensure timely reporting.

Once again, I extend my sincere appreciation to you and your team for the time and effort you took in carrying out this important work.

Sincerely,

Steven Victor
Minister
Ministry of Agriculture, Fisheries and the Environment



**ILLEGAL OR WASTEFUL ACTIVITIES
SHOULD BE REPORTED TO:**

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**GROUND FLOOR
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**MONDAY THRU FRIDAY
7:30 a.m. - 4:30 p.m.**

(Closed on Legal Holidays)